



National Rural
Telecommunications
Cooperative

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March 1, 2004

Mr. Blaine D. Stockton
Assistant Administrator Electric Program
U.S. Department of Agriculture, Rural Utilities Service
Room 5156 South Building, Stop 1560
1400 Independence Avenue, S.W.
Washington, DC 20250-1560

RE: Proposed Rule, 7 CFR Part 1720, Guarantees for Bonds, and Notes Issued for
Electrification and Telephone Purposes

Dear Mr. Stockton:

The National Rural Telecommunications Cooperative ("NRTC") files these comments regarding the proposed rule of the Rural Utilities Services of the Department of Agriculture, published on December 30, 2003, which would add *Rule 7 CFR Part 1720, Guarantees for Bonds and Notes Issued for Electrification and Telephone Purposes* (68 Fed. Reg. 75154, December 30, 2003).

The statutory language of Section 313A of the Rural Electrification Act establishes a guarantee program within the Rural Economic Development Loan and Grant Program. This addition would expand a proven economic development program and be a vital source of new funds for benefit of our rural citizens.

We were very pleased when this program was created because we saw it as a new source of funds to promote investment in rural areas. It is most unfortunate and very disappointing that the rule implementing this program appears to have been written with the clear intent to thwart the will of Congress. As proposed, if the rule is implemented, it will render the program unworkable.

Specifically, there are three areas that make it difficult or impossible for established cooperative lenders to participate:

- 1) The imposition on eligible lenders of capital requirements designed for FDIC-insured banks and savings and loans. These requirements were not intended for cooperative lenders.
- 2) The arbitrary requirement that restricts a lender to return only five percent of eligible patronage capital to its cooperative members. The lender should be able to decide the level of patronage capital.
- 3) The imposition of a 15 year limit on the bonds or notes guaranteed. Many infrastructure loans are for periods of 30 or 35 years. This limitation restricts the program in a manner inconsistent with the legislation.

We urge the rule be corrected so that an important source of funding can be provided to rural America.

Mr. Stockton
March 1, 2004
Page Two

For background, NRTC is a national cooperative with 1,200 members comprised of rural electric cooperatives, telephone cooperatives, and independent telephone systems. NRTC was founded in 1986 by the National Rural Electric Cooperative Association (NRECA) and the National Rural Utilities Cooperative Finance Corporation (CFC). Our family of products and services includes power quality and utility communications solutions, including SmartSCADA and automated meter reading (AMR). Our Internet services business offers members upstream services like branded e-mail, technical support, and engineering for dial-up, wireless, DSL, cable, and two-way, high-speed satellite Internet providers. Other NRTC products and services include long-distance telephone services, e-commerce and Web hosting, and direct broadcast satellite service (DBS).

NRTC is driven by our members' commitment to provide their communities with innovative telecommunications solutions and a vision for continued viability. NRTC helps ensure our members' success by aggregating their individual buying power, negotiating national contracts, and supporting business solutions which expand their service offerings. NRTC remains focused on bringing advanced telecommunications solutions to rural America. Our mission is to lead and support our members by delivering telecommunications solutions to strengthen member businesses, promote economic development, and improve the quality of life in rural America.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Phillips', with a long horizontal flourish extending to the right.

Bob Phillips
NRTC CEO and President